

**PUBLIC DISCLOSURE**

January 31, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LYNN POLICE CREDIT UNION**

**18 SUTTON STREET  
LYNN, MASSACHUSETTS 01901**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MASSACHUSETTS 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Lynn Police Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

The Credit Union's performance in the area of Community Reinvestment was found to be satisfactory at this time. The average net loan to share ratio from December 31, 2003 through December 31, 2004 was 35.2 percent, which is considered to meet the standards for satisfactory performance.

The distribution of credit among members of different income levels is considered to meet the standards for satisfactory performance. A sample of 40 consumer loans from 2003 and 2004 reveals that 52.5 percent of these loans were granted to low and moderate-income members.

The Credit Union was deemed to meet the standards for satisfactory performance with regards to fair lending.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Lynn Police Credit Union is a state chartered industrial credit union designed to provide products and services to its members. The Credit Union operates one office located at 18 Sutton Street inside Lynn Police Headquarters. The Credit Union's business hours are Wednesday 3:00 PM to 5:00 PM, Thursday 9:00 AM to 12:00 PM and 3:00 PM to 5:00 PM, and Friday 9:00 AM to 12:00 PM. As of December 31, 2004, the Credit Union had 1,020 members.

As of December 31, 2004, the Credit Union had total assets of \$12,317,953 with total loans representing \$3,925,406 or 31.9 percent of total assets. Second mortgages account for the highest percentage at 43.0 percent, followed by new and used automobile loans with 38.5 percent, and personal unsecured loans with 18.5 percent.

The following types of credit are available to the Credit Union's members: second mortgage loans, new and used automobile loans, share secured loans, and personal loans. During 2003 and 2004, the Credit Union originated 38 second mortgage loans totaling \$1,757,878.

The criteria for the various types of credit offered was reviewed during the examination, as were the procedures for completing a loan application, and no practices intended to discourage applications were found. Rates, terms and conditions are competitive with other credit unions of similar size and type.

The Credit Union was last examined for compliance with CRA by the Division on May 24, 2000. That examination resulted in a CRA rating of Satisfactory.

### **Description of Assessment Area**

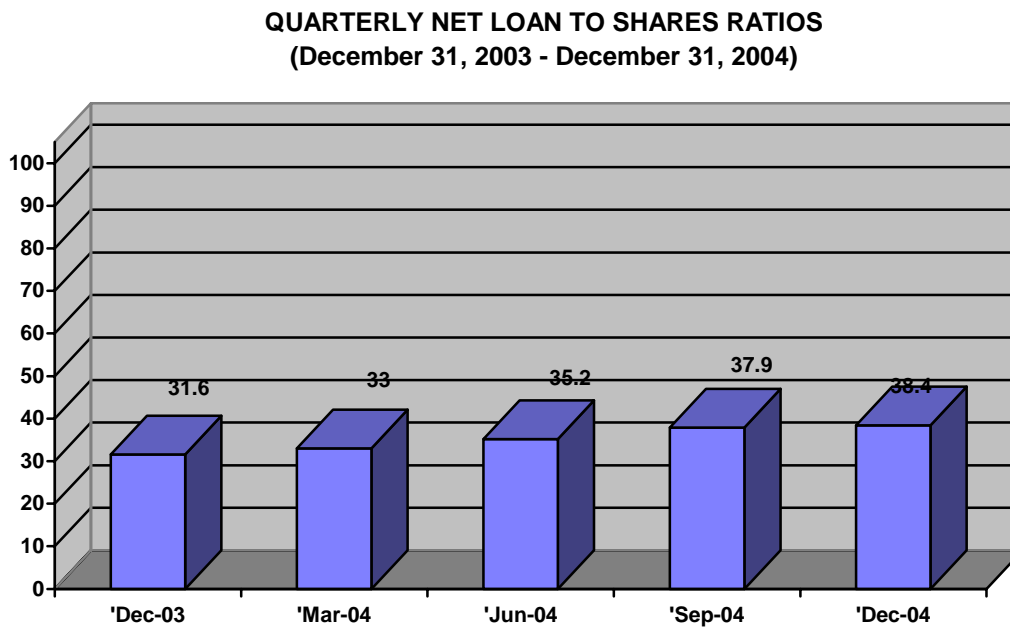
The Credit Union defines its assessment area as its membership, as permitted under the CRA regulation for industrial credit unions whose bylaws are not based on residence. Membership in the Credit Union is open to current and retired employees of the Lynn and Swampscott Police Departments and the immediate family members of current employees of these agencies. Additionally, current employees of the Lynn District Court are also eligible to become members of the Credit Union.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

A comparative analysis of the Credit Union's quarterly net loan-to-share ratios for the period of December 31, 2003 through December 31, 2004 was conducted during this examination. Using the Credit Union's National Credit Union Administration ("NCUA") quarterly 5300 Reports, the average net loan-to-share ratio for this period was 35.2 percent. This ratio is based on loans net of the allowance for loan losses as a percentage of total shares.

Refer to the following graph.



The Credit Union's loan portfolio has increased by \$688,746 from December 31, 2003 to December 31, 2004. This accounts for a 21.5 percent increase during the period. The growth in loans has significantly outpaced the corresponding shares growth as shares increased by only \$833. For the one year period of December 2003 to December 2004, the net loan to shares ratio increased by almost seven percent.

Based on the above information and the Credit Union's capacity to lend, the capacity of other similarly-situated industrial credit unions to lend to their members, the types of loans available at the Credit Union, and the lending opportunities available for its membership, the Credit Union's net loan-to-share ratio is considered to meet the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Under the CRA regulation, a credit union whose by-laws are not based on residence, such as the Credit Union, may define its membership as its assessment area. Because a membership defined assessment area does not consider any fixed limits on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The Credit Union originated 153 loans in 2003 totaling \$1,967,571 and 154 loans during 2004 totaling \$2,497,253. Originations include personal loans, new and used automobile loans, second mortgages, and share secured loans. A sample of 40 consumer loans from 2003 and 2004 was taken in order to determine the distribution of credit based on the income levels of members. The consumer loans sampled were evaluated by using the income figures for the Boston Metropolitan Statistical Area ("MSA") for 2003 and the Cambridge-Newton-Framingham, MA MD for 2004 as the designation changed. The originations were categorized by the ratio of the applicant's reported income to the estimated 2003 and 2004 median family incomes. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information which was \$80,800 for 2003 and \$88,600 for 2004.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The sample for the consumer loans reviewed indicated that 25.0 percent of the loans were to low-income members and 27.5 percent were to moderate-income members. The following table provides further detail.

**Consumer Lending to Borrowers of Different Income Levels**

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	#	%	#	%	#	%
<50%	5	25.0	5	25.0	10	25.0
50% - 79%	7	35.0	4	20.0	11	27.5
80% - 119%	4	20.0	10	50.0	14	35.0
120% >	4	20.0	1	5.0	5	12.5
<b>TOTAL</b>	<b>20</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>

Source: In House Loan Files - 2003 and 2004

## **PERFORMANCE CRITERIA (CONTINUED)**

### **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (Continued)**

It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations to low and moderate-income members would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes. Of the sampled consumer loans reviewed, four were joint applicants. All four of these applicants were determined to be upper-income borrowers.

Based upon the analysis of consumer loans by borrower income, it appears that the credit union's lending is adequately distributed to members of various income levels, including those of low and moderate-income. Performance in this category is therefore considered to meet the standards for satisfactory performance.

### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

According to the CRA regulation, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based on residence are now permitted to delineate membership as the assessment area. Therefore, since the Credit Union has defined its assessment area as its membership, as opposed to a geographic area, an evaluation of credit extended by census tract was not conducted as such an analysis would not be meaningful.

### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

#### ***Review of Complaints***

A thorough review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination.

#### ***Fair Lending Policies and Practices***

The Credit Union has a credit committee that is comprised of three members of the Board of Directors. Every application is required to have two members approve the loan.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 18 Sutton Street, Lynn, Massachusetts 01901

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.